

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name IOSCO COUNTY ROAD COMMISSION	County IOSCO
Fiscal Year End 12/31/06	Opinion Date 04/30/07	Date Audit Report Submitted to State 06/18/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES

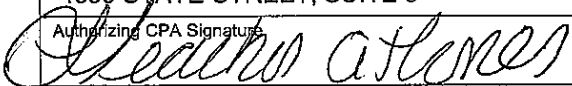
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☒ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☐ ☒ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☒ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☒ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☒ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No findings to report this year	
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) GARDNER, PROVENZANO, SCHAUMAN & THOMAS PC		Telephone Number 989-790-3900	
Street Address 4855 STATE STREET, SUITE 6		City SAGINAW	State MI
Authorizing CPA Signature 		Printed Name HEATHER A. THOMAS	Zip 48603
		License Number 1101024719	



**Gardner | Provenzano
Schauman & Thomas**

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

IOSCO COUNTY ROAD COMMISSION

Iosco, Michigan

**Financial Statements
December 31, 2006**

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INDEPENDENT AUDITOR'S REPORT

April 20, 2007

Members of the Board
of County Road Commissioners
of Iosco County
Iosco, Michigan

We have audited the accompanying financial statements of the governmental activities of the Iosco County Road Commission, a component unit of Iosco County, as of and for the year ended December 31, 2006, which comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Iosco County Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Iosco County Road Commission as of December 31, 2006, and the respective change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Board
of County Road Commissioners
of Losco County
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2007, on our consideration of the Losco County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The additional supplemental information is presented for purposes of additional analysis and is not a required part of financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of Losco County Road Commission and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Gardner, Provenzano, Schumann & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

IOSCO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2006

INTRODUCTION

The Iosco County Road Commission (ICRC), a component unit of Iosco County, is a special purpose government engaged in a single government program of road maintenance and construction in the County of Iosco, Michigan. Our discussion and analysis of the financial performance of the ICRC provides an overview of the ICRC's financial activities for the fiscal year ended December 31, 2006. Please read this in conjunction with the financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the ICRC as a whole and present a longer-term view of the ICRC's finances. We refer to these statements as government-wide statements. The fund level financial statements tell how the services the ICRC provided were financed in the short term as well as what remains for future spending. Because the ICRC is a single purpose government, and as allowed by GASB 34, fund financial statements are combined with government-wide statements and start on page 9.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the ICRC's finances is, "Is the Road Commission better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about Iosco County Road Commission as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Road Commission's net assets and the changes in net assets. You can think of the Road Commission's net assets, the difference between assets and liabilities, as one way to measure the Road Commission's financial health, or financial position. Over time, increases or decreases in the ICRC's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors to assess the overall health of the Road Commission.

The audited financial activities of ICRC are presented herein. These statements include the following:

- Statement of Net Assets and Governmental Fund Balance Sheet,

IOSCO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2006

**THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES
(CONT.)**

- Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets at December 31, 2006,
- Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance, and
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities for the Year Ended December 31, 2006.

CONDENSED FINANCIAL STATEMENTS

The table below shows a comparison of the net assets for the years ended December 31, 2006 and 2005 in a condensed format.

	Assets	2006	2005
General fund		\$ 3,731,051	\$ 4,298,453
Capital assets		11,872,882	10,113,224
Total Assets		<u>\$ 15,603,933</u>	<u>\$ 14,411,677</u>
	Liabilities		
General fund liabilities		\$ 683,850	\$ 731,557
Total Liabilities		<u>\$ 683,850</u>	<u>\$ 731,557</u>
	Net Assets		
Restricted		\$ 3,047,201	\$ 3,566,896
Invested in capital assets - net of related debt		11,872,882	10,113,224
Total Net Assets		<u>\$ 14,920,083</u>	<u>\$ 13,680,120</u>

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. The net assets are separated into two components, restricted for primary and local roads and investment in capital assets.

The ICRC's capital assets increased 17.39 percent, from \$10,113,224 to \$11,872,882 for the year ended December 31, 2006. The increase is primarily due to additional road construction and improvements in 2006. Liabilities decreased by \$47,707, which was mostly a decrease in the advances.

IOSCO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2006

CONDENSED FINANCIAL STATEMENTS (CONT.)

Condensed Statement of Activities

Revenue	2006	2005
Federal and State Revenue	\$ 4,354,329	\$ 4,239,069
Contributions from Local units	930,601	584,903
Other, including charges for services	706,763	720,053
Total Revenue	<u>5,991,693</u>	<u>5,544,025</u>
Expenses		
Primary prevention/routine maintenance	1,722,423	1,083,684
Local prevention/routine maintenance	1,695,124	1,404,553
Trunkline	424,148	539,330
Administrative	420,024	423,805
Other	490,011	275,184
Total Expenses	<u>4,751,730</u>	<u>3,726,556</u>
Change In Net Assets	<u>\$ 1,239,963</u>	<u>\$ 1,817,469</u>

The road commission's revenue for the year ended December 31, 2006, increased 8.07% from \$5,544,025 to \$5,991,692. The growth was principally due to an additional 59% in contributions from local units of government, which increased from \$584,902 in 2005 to \$930,601 in 2006.

The road commission's expenses for the year ended December 31, 2006 increased by 27.5% or \$1,025,174. Most of this increase was in primary prevention/routine maintenance.

On a whole, the Iosco County Road Commission ended the year as planned.

THE ROAD COMMISSION'S FUNDS

The ICRC experienced a successful construction year in 2006. The road commission reconstructed and paved 1.5 miles on the county primary road system and 9.21 miles on the local system. In addition, two intersection improvement projects and several gravel and drainage projects were completed on both systems. Approximately one half mile of M-65 trunk line jurisdiction was transferred from MDOT to the road commission. Another quarter mile was constructed by MDOT to connect this section of road to the new M-65 trunk line. A total of 45 local road projects were completed in partnership with local townships. Seven of the eleven townships located within the county have dedicated road millages and they contributed over \$705,000 for local road improvements. The 2006 expenditures of \$6,511,522 exceeded the \$5,991,692

IOSCO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2006

THE ROAD COMMISSION'S FUNDS (CONT.)

revenues for a decrease in fund balance of \$519,829 or 13.51%. This was a planned expenditure of fund balance with an increase in expenditures of 21.53% in routine maintenance on both the local and primary systems.

Management believes that the fund balance provides sufficient working capital to meet current and future road project obligations and support continued operations of the Iosco County Road Commission.

BUDGET ANALYSIS

ORIGINAL BUDGET VERSUS AMENDED BUDGET

Prior to the beginning of the year, the ICRC's budget is compiled based on certain assumptions and facts available at that time. During the year, the ICRC Board amends the budget to reflect changes in those original assumptions; facts and/or economic conditions that were unknown or that had changed since the original budget was compiled. The original 2006 budget was adopted in December of 2005. The final revenue budget for the year ended December 31, 2006, was increased by \$836,518 for the following reasons:

- State and Federal revenue was increased due to the M-65 turnback.
- Township revenue was increased by \$305,701 to reflect increased township projects.
- Interest income was increased by \$100,000 due to the increase in interest rates.
- Special Assessment revenue was reduced by \$33,000 due to several projects not being completed until 2007.

The balance of the variances was from adjustments made to several individual revenue line items, none of which management considers significant.

The final amended expenditure budget for the year ended December 31, 2006 was \$1,426,082 greater than the original budget for the following reasons:

- M-65 trunk line turn back, which increased the local preservation line item, along with increased township projects, contracted during the year.
- Increased expenditure for primary routine maintenance due to drainage structure failures in several locations and bituminous resurfacing of road failure.
- Under MDOT contract the state trunk line maintenance and non-maintenance line items were increased during the budget year to facilitate additional MDOT projects.

IOSCO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2006

BUDGET ANALYSIS (CONT.)

ORIGINAL BUDGET VERSUS AMENDED BUDGET (CONT.)

- Operating expenses were increased due to expected fuel increases.

The balance of the variances were from adjustments made to several individual expenditure line items, none of which management considers significant.

AMENDED BUDGET VERSUS ACTUAL

The actual revenue exceeded the final budgeted revenue by \$187,271 for the following reasons:

- Gain on disposal of equipment of \$42,000 more than expected due to a trade in allowance on a loader.
- The MTF revenue is based upon historical averages, with a 60-day delay in receipt. 2006 revenue exceeded budget projections by \$136,418.
- The variance of \$192,020 was due to the unanticipated transfer of one half mile of M-65 trunk line jurisdiction from the State to the ICRC.
- The variance of \$82,776 in State EDC funds was due to a conservative final budget estimation. Actual results came in higher than anticipated.

Total budgeted expenditures were \$901,928 less than actual for the following reasons:

- The variance of \$364,006 in local construction is due to the lack of timely information from MDOT. The ICRC was not aware the MDOT project was considered construction instead of preservation until after the final budget had been adopted. The project had been budgeted in Local Preservation Instructional Improvements, thus the variance in that line item.
- The \$32,399 and \$129,660 variances in the primary and local routine budget items were primarily due to the allowance for severe winter snow removal expenditure and milder December weather.
- The direct equipment and fuel and oil, variance of \$147,088 and \$90,694 respectively, was due to the actual expense being less than the anticipated along with less parts and repair of vehicles and machinery.
- Administration variance of \$148,776 was due to an accounting change made after year-end, which put the administrative fringe costs into the A515 account.

The remaining difference in revenue and expenditure were due to variances in several line items, none of which management considers significant.

IOSCO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2006

CAPITAL ASSETS

ICRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, of \$11,872,882. This information, which includes infrastructure, is summarized below:

	2006	2005
Land and improvements	\$ 69,784	\$ 69,784
Buildings	1,834,326	1,834,326
Road equipment	6,471,776	5,639,746
Other equipment	269,790	258,638
Infrastructure assets	10,895,269	8,803,976
Total Capital Assets	19,540,945	16,606,470
Accumulated Depreciation	(7,668,063)	(6,493,246)
Net Capital Assets	<u>\$ 11,872,882</u>	<u>\$ 10,113,224</u>

Additional information regarding capital assets is located in the notes to the financial statements.

LONG-TERM DEBT

At year end, the ICRC's long-term debt consisted of compensated absences (accumulated sick and vacation pay) in the amount of \$278,733.

OTHER

Management is not aware of any currently known facts, decisions, or conditions expected to have a significant effect on next year or beyond on the Iosco County Road Commission's financial condition.

CONTACTING THE IOSCO COUNTY ROAD COMMISSION'S MANAGEMENT

This financial report is intended to provide our citizens and customers with a general overview of the Iosco County Road Commission's finances and to show the Iosco County Road Commission's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Financial Manager at 3939 West M-55, Tawas City, MI 48763.

BASIC FINANCIAL STATEMENTS

IOSCO COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2006

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash	\$ 153,993	\$ -	\$ 153,993
Investment	2,581,677	-	2,581,677
Accounts Receivable			
State Transportation Department	559,769	-	559,769
Trunkline	43,558	-	43,558
Sundry	56,756	-	56,756
Inventories			
Equipment materials and parts	75,211	-	75,211
Road materials	211,514	-	211,514
Deferred expenses	48,573	-	48,573
Capital assets, net of accumulated depreciation	-	11,872,882	11,872,882
Total Assets	<u>\$ 3,731,051</u>	<u>\$ 11,872,882</u>	<u>\$ 15,603,933</u>
LIABILITIES			
Accounts payable	\$ 112,936	\$ -	\$ 112,936
Accrued liabilities	66,874	-	66,874
Advances	185,215	-	185,215
Due to State of Michigan	92	-	92
Advance from township	25,000	-	25,000
Deferred credit other	15,000	-	15,000
Compensated absences	-	278,733	278,733
Total Liabilities	<u>405,117</u>	<u>278,733</u>	<u>683,850</u>
FUND BALANCE/NET ASSETS			
Fund Balances:			
Restricted for County Roads	3,325,934	(3,325,934)	-
Total Fund Balance	<u>3,325,934</u>	<u>(3,325,934)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 3,731,051</u>		
Net Assets:			
Invested in capital assets, net of related debt		11,872,882	11,872,882
Restricted for County Roads		3,047,201	3,047,201
Total Net Assets		<u>\$ 14,920,083</u>	<u>\$ 14,920,083</u>

IOSCO COUNTY ROAD COMMISSION
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006

Total governmental fund balance	\$ 3,325,934
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	11,872,882
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(278,733)
Net Assets of Governmental Activities	<u>\$ 14,920,083</u>

See accompanying notes to the basic financial statements.

IOSCO COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2006

	General Fund	Adjustments	Statement of Activities
Revenue			
Federal	\$ 430,139	\$ -	\$ 430,139
State	3,924,190	-	3,924,190
County	930,601	-	930,601
Other			
Interest earned	140,745	-	140,745
Special assessments	17,136	-	17,136
Licenses and permits	11,470	-	11,470
Sundry refunds	19,723	-	19,723
Charges for services	448,833	-	448,833
Miscellaneous	16,003	-	16,003
Gain (loss) equipment disposals	52,853	-	52,853
Total Revenue	<u>5,991,693</u>	<u>-</u>	<u>5,991,693</u>
Expenditures/expenses			
Construction-capacity improvements	364,006	(364,006)	-
Primary preservation/structural improvements	559,352	(559,352)	-
Primary preventive/routine maintenance	1,722,423	-	1,722,423
Local preservation/structural improvements	1,167,935	(1,167,935)	-
Local preventive/routine maintenance	1,695,124	-	1,695,124
State trunkline maintenance	407,737	-	407,737
State trunkline non-maintenance	16,411	-	16,411
Administrative	420,024	-	420,024
Compensated absences	-	(134)	(134)
Net equipment expense	34,763	-	34,763
Net capital outlay			
Capital outlay	487,414	(487,414)	-
Depreciation	(391,509)	391,509	-
Depreciation	-	424,655	424,655
Deprecation on salt sheds	-	2,885	2,885
Other	27,842	-	27,842
Total Expenditures/expenses	<u>6,511,522</u>	<u>(1,759,792)</u>	<u>4,751,730</u>
Excess of Revenue Over (Under) expenditures/expenses	(519,829)	519,829	-
Change in Net Assets	-	1,239,963	1,239,963
Fund Balance - Beginning of Year,	3,845,763	(3,845,763)	-
Net Assets - Beginning of Year	-	13,680,120	13,680,120
Fund Balance/Net Assets - End of Year	<u>\$ 3,325,934</u>	<u>\$ 11,594,149</u>	<u>\$ 14,920,083</u>

See accompanying notes to the basic financial statements.

IOSCO COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Net change in fund balance--total governmental funds \$ (519,829)

Amounts reported for governmental activities in the statement
are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense.

2,187,198

Governmental funds do not record depreciation as an expense

(427,540)

Some expenses reported in the statement of activities do not require
the use of current financial resources and therefore are not reported
as expenditures in governmental funds. (change in compensated
absences)

134

Change in net assets of governmental activities

\$ 1,239,963

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Iosco County Road Commission's financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with GASB pronouncements. The more significant accounting policies established in GAAP and used by the ICRC are discussed below.

Reporting Entity

The ICRC is governed by a three-member board of County Road Commissioners appointed by the Iosco County Board of Commissioners. The ICRC is a component unit of the Iosco County.

Based upon GASB Statement 14, which establishes criteria for determining the reporting entity, these financial statements present the Iosco County Road Commission, a discretely presented component unit of Iosco County, and include the ICRC's general operations fund.

Basic Financial Statements – Government-Wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Road Commission. The Road Commission consists solely of government-type activities; no business-type activities exist.

This government-wide approach is focused more on the sustainability of the ICRC as an entity and the change in the Commission's net assets from the current year's activities.

Basic Financial Statement – Fund Financial Statements

The accounts of the Commission are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Commission's operations are accounted for in one fund, the general operations fund.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The ICRC considers revenues as available if they are collected soon after year-end.

Cash and Investments

Cash and cash equivalents are considered to be cash on hand and demand deposits.

Accounts Receivable

Accounts receivable are primarily amounts due from other governmental units.

Inventories and Prepaid Items

Inventories consist of equipment parts and road materials and are valued at the lower of cost or market. Inventory items are charged to road construction, maintenance, equipment repairs and operations as they are used.

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Capital Assets and Depreciation

Capital assets purchased are reported at historic cost. Contributed assets are reported at fair market value when received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are capitalized and depreciated according to State guidelines. Depreciation is computed on the sum-of-the-year's-digits methods for road equipment and straight-line method for all other capital assets over the following estimated useful lives:

	<u>Years</u>
Buildings	25 – 50
Road equipment	5 – 8
Other equipment	4 – 20
Infrastructure	5 – 50

GASB 34 requires the ICRC to report and depreciate infrastructure assets in its government-wide statements. Infrastructure assets include roads, bridges, traffic signals, etc.

Compensated Absences (vacation and sick leave)

It is the policy of the ICRC to permit employees to accumulate earned but unused sick and vacation pay benefits.

Budgets and Budgetary Accounting

The Road Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

- A budget is adopted by the Board of County Road Commissioners of Iosco County prior to December 31 of each year. The budget includes proposed expenditures and a means of financing them.
- The Iosco County Road Commission approved budget is then submitted to the Iosco County Board of Commissioners.
- The budget is prepared by the Road Commission on a basis consistent with U.S. generally accepted accounting principles and revised as deemed necessary during the year.
- Budgets are prepared using the modified accrual basis of accounting.
- The budgetary information presented has been amended throughout the year.

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Law requires budget amendments as needed to prevent actual expenditures from exceeding those provided in the budget. Expenditures, which exceeded appropriations, are illustrated in required supplemental information.

NOTE 2--CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Road Commission to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

All special revenue fund investments are held in the name of the Iosco County Treasurer; therefore, the insured amount of Road Commission investment is not determinable. Since the County has in excess of the \$100,000 limits, all Road Commission investments are presumed to be uninsured. The Road Commission has adopted the Investment Policy of the County.

The ICRC's deposits are categorized below according to level of credit risk:

- Category 1 represents the ICRC's insured or collateralized deposits with securities held by the ICRC or by its agent in the ICRC's name.
- Category 2 represents the ICRC's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the ICRC's name.
- Category 3 represents the ICRC's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the ICRC's name.

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 2--CASH AND INVESTMENTS (CONT.)

The balance of cash and investments at December 31, 2006 is as follows:

	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand deposits	\$ 100,000	\$ -	\$ 130,003	\$ 230,003	\$ 153,593
Investments	-	-	2,581,677	2,581,677	2,581,677
Cash on hand	-	-	-	-	400
Totals	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 2,711,680</u>	<u>\$ 2,811,680</u>	<u>\$ 2,735,670</u>

NOTE 3--CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the year are as follows:

	Balance 1/1/2006	Additions	Retirements	Balance 12/31/2006
Capital Assets Not Being Depreciated				
Land	\$ 39,165	\$ -	\$ -	\$ 39,165
Land improvements	30,619	-	-	30,619
Total Land and improvements	<u>69,784</u>	<u>-</u>	<u>-</u>	<u>69,784</u>
Other Capital Assets				
Buildings and improvements	1,834,326	-	-	1,834,326
Road equipment	5,639,746	487,415	344,615	6,471,776
Other equipment	258,638	-	11,152	269,790
Infrastructure and improvements	8,803,976	2,091,293	-	10,895,269
Total Other Capital Assets	<u>16,536,686</u>	<u>2,578,708</u>	<u>355,767</u>	<u>19,471,161</u>
Total Capital Assets	<u>16,606,470</u>	<u>2,578,708</u>	<u>355,767</u>	<u>19,540,945</u>
Accumulated Depreciation				
Land improvements	13,123	3,062	-	16,185
Buildings and improvements	922,421	36,686	-	959,107
Road equipment	4,877,720	338,978	344,615	5,561,313
Other equipment	218,540	15,669	11,152	245,361
Infrastructure and improvements	461,442	424,655	-	886,097
Total Accumulated Depreciation	<u>6,493,246</u>	<u>819,050</u>	<u>355,767</u>	<u>7,668,063</u>
Total Net Capital Assets	<u>\$ 10,113,224</u>	<u>\$ 1,759,658</u>	<u>\$ -</u>	<u>\$ 11,872,882</u>

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4--LONG-TERM LIABILITIES

Long-term liabilities consist solely of accrued compensated absences payable.

Following is a summary of the changes in long-term liabilities for the year ended December 31, 2006:

	Balance 1/1/2006	Increase	Decrease	Balance 12/31/2006
Accrued compensated				
absences	\$ 278,867	\$ 16,934	\$ (17,068)	\$ 278,733
Total	<u>\$ 278,867</u>	<u>\$ 16,934</u>	<u>\$ (17,068)</u>	<u>\$ 278,733</u>

NOTE 5--UNEMPLOYMENT COMPENSATION

The Road Commission is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Road Commission must reimburse the Michigan Employment Security Commission for all benefits charged against the Road Commission. There was no unemployment expense for the year ended December 31, 2006.

NOTE 6--PENSION PLAN

Plan Description

The Road Commission's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended by 1996 PA 220, establishes and amends the benefit provisions of the participants in MERS. The fiscal year for the retirement plan ends December 31. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6--PENSION PLAN (CONT.)

Funding Policy

The Road Commission is required to contribute at an actuarially determined rate based on covered payroll; the rate at December 31, 2006 was 6.81% for hourly employees and 13.94% for salaried employees. The ICRC's hourly employees are required to contribute 6.7% of annual compensation and salaried employees are required to contribute 8.97% of annual compensation. The contribution requirements of the Road Commission are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission depending on the MERS contribution program adopted by the Road Commission.

Annual Pension Cost

For the year ended December 31, 2006, the Road Commission's annual pension cost was \$139,766, which is equal to the required contribution. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) an assumed rate of investment return which is used to discount liabilities and project what plan assets will earn investment of present and future assets of 8.0%, (b) a mortality table projecting the number of employees who will die before retirement and the duration of benefit payments after retirement, (c) assumed retirement rates projected when employees will retire and commence receiving benefits, (d) a set of withdrawal and disability rates to estimate the number of employees who will leave the work force before retirement, and (e) assumed rates of salary increases to project employees compensation in future years. The actuarial value of MERS assets was determined on a basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value.

Three-year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2004	\$ 124,483	100%	-
12/31/2005	\$ 127,971	100%	-
12/31/2006	\$ 139,766	100%	-

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6--PENSION PLAN (CONT.)

Annual Pension Cost (cont.)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Over Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/ (c)
12/31/2003	\$ 3,951,538	\$ 5,610,261	\$ 1,658,723	70%	\$ 1,429,139	116%
12/31/2004	\$ 4,254,984	\$ 6,147,406	\$ 1,892,422	69%	\$ 1,501,355	126%
12/31/2005	\$ 4,567,528	\$ 6,521,671	\$ 1,954,143	70%	\$ 1,469,715	133%

NOTE 7--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The commission manages its workers' compensation through commercial insurance. The commission manages all other risks by participating in Michigan County Road Commission Self-Insurance Pool (MCRCSIP), a trust fund established by the road commissions in the State of Michigan. The MCRCSIP is a public entity risk pool currently operating as a common risk management and insurance program. The commission pays an annual premium to MCRCSIP for its general liability coverage. The MCRCSIP is self-sustaining through member premiums and provides reinsurance through commercial companies for claims in excess of certain limits.

NOTE 8--LITIGATION

The Road Commission is a party to various legal proceedings, which normally occur in governmental operations for which the Road Commission carries commercial insurance.

NOTE 9--POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Iosco County Road Commission provides post-employment health, dental and life insurance benefits, in accordance with employee working agreements, to all employees who retire at the age of 60 until they reach full social security retirement age.

For those employees who terminate without retirement, healthcare benefits are terminated. At that time, the former employee has continuation rights to health insurance coverage under the COBRA law of 1985.

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 9--POST-EMPLOYMENT BENEFITS (continued)

During the year ended December 31, 2006, retirees' health insurance was provided as BCBSM PPO Option 1 with a \$10-40 drug card. The ICRC paid for approximately 50% of the cost of coverage for retirees and surviving spouses eligible to participate in the group plan. The remainder of the premium was paid by the retiree. For the year ended December 31, 2006, one employee met the eligibility requirements for this benefit.

Once a retiree reaches full social security retirement age, the ICRC reimburses up to \$400 for medical expenses not covered by insurance within the calendar year. For the year ended December 31, 2006, twenty-seven retirees were eligible for this benefit.

Expenditures for post-employment healthcare are recognized as claims and premiums are paid. During the year ended December 31, 2006, the cost for claims and premiums for retirees and surviving spouses was \$13,127.

NOTE 10--RESTRICTED ASSETS

The restricted asset balance of \$15,000 is being held for future maintenance on a sub-division railroad crossing.

NOTE 11--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2006, the Federal aid received and expended by the Road Commission was \$430,139 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$500,000 or more for negotiated projects.

REQUIRED SUPPLEMENTAL INFORMATION

IOSCO COUNTY ROAD COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Budget	Actual	Actual Vs. Final Budget Favorable (Unfavorable)
Revenues				
Federal	\$ 300,000	\$ 728,600	\$ 430,139	\$ (298,461)
State				
EDC	80,000	131,700	214,476	82,776
MTF	3,500,000	3,500,000	3,636,418	136,418
State forest road funds	73,000	73,296	73,296	-
County				
Township	400,000	705,701	705,701	-
US forest service contribution	20,000	23,880	23,880	-
Other				
Trunkline maintenance	408,329	400,000	408,577	8,577
Trunkline non-maintenance	-	16,411	16,411	-
Non-certified road maintenance	25,000	33,681	15,622	(18,059)
Other contributions	58,575	9,000	201,020	192,020
Special assessments	50,000	17,000	17,136	136
Interest	25,000	125,000	140,745	15,745
Licenses and permits	8,000	9,300	11,470	2,170
Gain on disposal of equipment	5,000	10,853	52,853	42,000
Miscellaneous revenue	15,000	20,000	43,949	23,949
Total Revenues	<u>4,967,904</u>	<u>5,804,422</u>	<u>5,991,693</u>	<u>187,271</u>
Expenditures				
Local construction/capacity improvements	-	-	364,006	(364,006)
Primary preservation/structural improvements	978,432	600,182	559,352	40,830
Primary preventive/routine maintenance	1,195,630	1,754,822	1,722,423	32,399
Local preservation/structural improvements	441,688	1,462,412	1,167,935	294,477
Local preventive/routine maintenance	1,722,000	1,824,784	1,695,124	129,660
State Trunkline Maintenance	408,329	420,000	407,737	12,263
State Non-Maintenance	-	16,411	16,411	-
Administrative	562,500	568,800	420,024	148,776
Indirect Equipment Expense	443,750	496,200	428,923	67,277
Direct Equipment Expense	800,000	802,800	655,712	147,088
Operating Expense (Fuel & Oil)	350,000	375,000	284,306	90,694
Less Equipment Rentals	(1,300,000)	(1,300,000)	(1,334,178)	34,178
Capital Outlay	446,000	450,000	487,414	(37,414)
Less Depreciation Credits	(450,000)	(450,000)	(391,509)	(58,491)
Non-Certified Road Maintenance	25,000	28,000	27,842	158
Total Expenditures	<u>5,623,329</u>	<u>7,049,411</u>	<u>6,511,522</u>	<u>537,889</u>
Excess of Revenues Over (Under) Expenditures	(655,425)	(1,244,989)	(519,829)	725,160
Fund Balance, Beginning of Year	3,845,763	3,845,763	3,845,763	-
Fund Balance, End of Year	<u>\$ 3,190,338</u>	<u>\$ 2,600,774</u>	<u>\$ 3,325,934</u>	<u>\$ 725,160</u>

See independent auditor's report on supplementary information.

ADDITIONAL SUPPLEMENTAL INFORMATION

IOSCO COUNTY ROAD COMMISSION
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE--GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Appropriated		County	
	Primary	Local	Roads	Total
	Roads	Roads		
Revenues				
Federal				
Surface transportation				
program	\$ 128,685	\$ 301,454	\$ -	\$ 430,139
Total federal	<u>128,685</u>	<u>301,454</u>	<u>-</u>	<u>430,139</u>
State				
Engineering	6,200	3,800	-	10,000
Urban road	268,176	141,712	-	409,888
Allocation	1,947,984	1,267,731	-	3,215,715
Snow removal	815	-	-	815
Forest funds	-	73,296	-	73,296
Economic development	214,476	-	-	214,476
Total State	<u>2,437,651</u>	<u>1,486,539</u>	<u>-</u>	<u>3,924,190</u>
County				
Township	-	705,701	-	705,701
Other government	-	224,900	-	224,900
Total County	<u>-</u>	<u>930,601</u>	<u>-</u>	<u>930,601</u>
Other				
Interest earned	59,113	68,965	12,667	140,745
Special assessments	-	17,136	-	17,136
Licenses and permits	-	-	11,470	11,470
Sundry refunds	-	19,723	-	19,723
Charges for services	-	23,845	424,988	448,833
Miscellaneous	-	16,003	-	16,003
Gain (loss)				
equipment disposals	22,324	16,627	13,902	52,853
Total Other	<u>81,437</u>	<u>162,299</u>	<u>463,027</u>	<u>706,763</u>
Total Revenues	<u>\$ 2,647,773</u>	<u>\$ 2,880,893</u>	<u>\$ 463,027</u>	<u>\$ 5,991,693</u>

See independent auditor's report on supplementary information.

IOSCO COUNTY ROAD COMMISSION
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE--GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

Expenditures	Appropriated		County Roads	Total
	Primary Roads	Local Roads		
Construction-capacity improvements	\$ -	\$ 364,006	\$ -	\$ 364,006
Preservation-structural improvements	559,352	1,167,935	-	1,727,287
Preventive-routine maintenance	1,722,423	1,695,124	-	3,417,547
Other				
Trunkline maintenance	-	-	407,737	407,737
Trunkline nonmaintenance	-	-	16,411	16,411
Administration	173,975	246,049	-	420,024
Equipment	340,407	812,192	216,342	1,368,941
Less: equipment rental	(331,761)	(791,567)	(210,850)	(1,334,178)
Capital outlay	300,000	100,000	87,414	487,414
Less: depreciation credits and retirements	(165,365)	(123,167)	(102,977)	(391,509)
Non certified road main.	-	-	27,842	27,842
Total other expenditures	317,256	243,507	441,919	1,002,682
Total expenditures	2,599,031	3,470,572	441,919	6,511,522
Excess of revenue over (under) expenditures	48,742	(589,679)	21,108	(519,829)
Other financing sources (uses)				
Optional transfer	(200,000)	200,000	-	-
Optional transfer	-	100,000	(100,000)	-
Fund Balance, Beginning	2,028,810	921,577	895,376	3,845,763
Fund Balance, Ending	<u>\$ 1,877,552</u>	<u>\$ 631,898</u>	<u>\$ 816,484</u>	<u>\$ 3,325,934</u>

See independent auditor's report on supplementary information.

IOSCO COUNTY ROAD COMMISSION
SCHEDULE OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

Federal Grantor/Pass Through <u>Grantor/Program or Cluster Title</u>	Federal CFDA <u>Number</u>	Pass-through Entity <u>Number</u>	Federal <u>Expenditures</u>
U. S. Department of Transportation Highway Research, Planning and Construction <u>Michigan Department of Transportation</u>	20.205	49037 77586	\$ 301,454 128,685
<u>Total Pass-Through</u>			<u>\$ 430,139</u>

Note: Federal financial assistance, received under the highway planning and construction program, in the amount of \$430,139 was administered by the State of Michigan. The Road Commission has no responsibilities regarding fiscal or compliance controls over such assistance.

See independent auditor's report on supplementary information.



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

April 20, 2007

Members of the Board
of County Road Commissioners
of Iosco County
Iosco, Michigan

We have audited the financial statements of the governmental activities of the Iosco County Road Commission, a component unit of Iosco County, as of and for the year ended December 31, 2006, which collectively comprise the financial statements of the Iosco County Road Commission and have issued our report thereon dated April 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iosco County Road Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Iosco County Road Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

We noted an absence of appropriate segregation of duties consistent with appropriate control objectives.

Members of the Board
of County Road Commissioners
of Iosco County
Page Two
April 20, 2007

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance

As part of obtaining reasonable assurance about whether Iosco County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and the Board of County Road Commissioners. However, this report is a matter of public record and its distribution is not limited.

Sardner, Provenzano, Schauman & Thomas, P.C.

Certified Public Accountants